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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 000878

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SUBJECT: LITHUANIA'S GOVERNMENT UNDER STRESS

REF: VILNIUS 239

Classified By: Ambassador John A. Cloud for reasons 1.4 (b) and (d).

¶1. (C) Summary. The opposition Conservative party has begun calling for early elections in Lithuania. The Social Democrats, who lead the minority governing coalition and who also used to have the support of the Conservatives, have been hurt by increasing inflation and allegations of poor planning for a new nuclear power plant. Whether elections occur soon, which is unlikely, or as regularly scheduled in October 2008, the prospects of the Conservatives look good as do the prospects of the populist parties. End summary.

Conservatives call for early elections

¶2. (U) On December 5, Conservative Party Chairman Andrius Kubilius sent a letter to President Valdas Adamkus asking him to call for early parliamentary elections in February or March. Early elections would require either a no-confidence vote by the Seimas (Parliament) with presidential approval or a 3/5 majority vote in the Seimas, which would not need presidential approval. Adamkus had dismissed earlier suggestions by MPs for early elections as "empty talk." He added, "if the Seimas wants to dismiss itself, it has an opportunity to convene in a meeting, say 'thank you,' sing the national anthem, and hold elections. If they have the willingness, they are free to do this."

How the minority coalition held until now:
Conservative support

¶3. (C) Prime Minister Kirkilas has led a minority coalition of left and center parties since July 2006. The coalition has been propped up by a formal support arrangement with the Conservatives. That support, however, has been slowly fading with the approach of elections scheduled for October 2008. Even when the Government had Conservative support, overall the Seimas and the Government have been ineffective in advancing new legislation or making even mildly controversial decisions. For example, inflation and corruption remain unaddressed; teachers and doctors are poorly paid.

¶4. (C) Kubilius told the Ambassador recently that he warned the PM upon taking office that a "public relations Government" could last a maximum of 18 months. With added stress and increasing ineffectiveness as the Government enters its seventeenth month, the Conservative leader's comment seems prescient, although a bit of a self-fulfilling prophecy.

Hard times for the Social Democrats

¶5. (U) The stress on the Government has come from increasing inflation (prices for food products were up 15.8 percent in October, year-on-year, and for housing and utilities 12.4

percent), the general ineffectiveness of the Government, and the tumult surrounding the GOL's plans for a new nuclear power plant. With regard to the latter, the Government has been negotiating to re-integrate its privatized western electricity grid, with the still-nationalized eastern grid and national supplier into a "national investor" to develop the nuclear plant (reftel). The process will clearly result in enormous financial benefit for the owners of the western grid. The fact that this company was chosen in a no-bid process to participate, and that the decision to do so has been non-transparent, has resulted in enormous public criticism of the Kirkilas government. Reflecting the pressure he has been under about the national investor project, Kirkilas made a surprise national television appearance the evening of December 6. In it, he argued that the national investor project could not be put out for public bidding, explaining that EU rules would not allow Lithuania to apply any preferences for a winner. This would mean that "any Gazprom-controlled company, registered in the EU" might end up in control.

Early elections: no real winners

16. (U) The Conservatives are using the weakness of the Social Democrats to emphasize their role as leader of the opposition. Several MPs and political commentators have remarked that this is merely public posturing by the Conservatives. The Conservatives would likely gain seats in Parliament in early elections. However, they would not gain a majority and they have few natural allies in Parliament. Even with a strong showing they might be shut out of a ruling coalition.

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17. (C) The populist Labor and Liberal Democrats, led by accused fraudster Viktor Uspaskich and impeached former President Rolandas Paksas, respectively, are also polling well. Their willingness to appeal to the masses by making promises they are unlikely to be able to keep, and the unwillingness of the local media effectively to call their bluffs -- especially in the short time frame that early elections would provide -- mean that they might do well in early elections. The populist parties, however, would probably do better if they wait until October. Uspaskich, the real force of the Labor Party, is currently under house arrest and therefore can not campaign nationally. He was indicted on fraud charges on December 6. Paksas and the Liberal Democrats are hoping that the European Court of Human Rights will soon overrule part of his impeachment punishment, which does not allow him to hold office requiring an oath and prevents him from becoming an MP as well as serving as prime minister or president. If Paksas wins his case, he could easily win an MP seat in October.

Comment

18. (C) Despite a lot of talk, early elections are unlikely. However, the woes of the Social Democrats will continue. This will increase votes for the Conservatives and for the populist parties. Social Democrat MP and former Finance Minister Zigmantas Balcytis recently told the Ambassador that his party is likely to slip even further in the polls, from its current third behind the Conservatives and Paksas's Liberal Democrats to fourth. If so, Uspaskich's Labor Party, currently polling fourth, is the likely beneficiary of the Social Democrats' decline. Unless the Government somehow regains the public's confidence, there will be a lot of room for populist parties in the next elections and a chance, if current conditions hold, for a populist-led Government to form in October.

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